

**ROBERT POTTER LEAGUE FOR ANIMALS,  
INC.**

**Financial Statements**

**Year Ended July 31, 2021**

**(With Independent Auditors' Report Thereon)**

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.  
FINANCIAL STATEMENTS  
Year Ended July 31, 2021**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Robert Potter League for Animals, Inc.:

We have audited the accompanying financial statements of Robert Potter League for Animals, Inc. (a not-for-profit organization) (the League), which comprise the statement of financial position as of July 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the League's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the League's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Robert Potter League for Animals, Inc. as of July 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the League's July 31, 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2020, is consistent, in all material respects, with the audited financial statements and related notes to the financial statements from which it has been derived.

*Kahn, Litwin, Renya & Co., Ltd.*

November 29, 2021

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**July 31, 2021**  
**(With Comparative Totals at July 31, 2020)**



	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 580,403	\$ 781,534
Service receivables	42,813	40,137
Unconditional promises to give	18,963	2,912
Prepaid expenses and other assets	26,530	20,409
Property and equipment, net	5,304,081	5,563,279
Investments, at fair value	6,557,537	5,214,855
<b>Total Assets</b>	<b>\$ 12,530,327</b>	<b>\$ 11,623,126</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 138,612	\$ 46,822
Accrued expenses	118,136	97,765
PPP loan payable	-	392,500
Mortgage payable	149,663	153,320
<b>Total liabilities</b>	<b>406,411</b>	<b>690,407</b>
<b>Net Assets:</b>		
Without donor restrictions:		
General	48,413	24,847
Investment in property and equipment, net	5,154,418	5,409,959
Board designated - operating reserve	1,519,100	1,070,600
Board designated - building reserve	272,241	271,065
Board designated - long-term investment reserve	2,896,539	2,298,528
<b>Total net assets without donor restrictions</b>	<b>9,890,711</b>	<b>9,074,999</b>
With donor restrictions	2,233,205	1,857,720
<b>Total net assets</b>	<b>12,123,916</b>	<b>10,932,719</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 12,530,327</b>	<b>\$ 11,623,126</b>

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended July 31, 2021  
(With Comparative Totals for the Year Ended July 31, 2020)



	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Changes in Total Operating Net Assets:				
Operating revenue and support:				
Contributions and grants	\$ 1,097,972	\$ 246,687	\$ 1,344,659	\$ 1,212,816
Events, net of expenses \$66,962 (Note 2)	183,316	-	183,316	189,031
Shelter services	284,913	-	284,913	357,843
Service contract fees	206,035	-	206,035	212,616
Spay and neuter services	506,231	-	506,231	617,145
Clinic services	343,835	-	343,835	-
Sale of pet supplies, net	5,765	-	5,765	7,203
PPP loan forgiveness	392,500	-	392,500	-
Appropriation of endowment and Board designated investment earnings	229,977	-	229,977	75,006
Net assets released from restrictions	210,345	(210,345)	-	-
<b>Total operating revenue and support</b>	<b>3,460,889</b>	<b>36,342</b>	<b>3,497,231</b>	<b>2,671,660</b>
Program expenses:				
Shelter services	1,442,637	-	1,442,637	1,359,807
Education and training services	317,556	-	317,556	366,337
Spay and neuter services	761,909	-	761,909	880,299
Clinic services	712,697	-	712,697	-
<b>Total program expenses</b>	<b>3,234,799</b>	<b>-</b>	<b>3,234,799</b>	<b>2,606,443</b>
Supporting services:				
Fundraising	411,106	-	411,106	414,162
Management and general	188,443	-	188,443	179,567
<b>Total supporting services</b>	<b>599,549</b>	<b>-</b>	<b>599,549</b>	<b>593,729</b>
<b>Total operating expenses</b>	<b>3,834,348</b>	<b>-</b>	<b>3,834,348</b>	<b>3,200,172</b>
<b>Changes in total net assets from operations</b>	<b>(373,459)</b>	<b>36,342</b>	<b>(337,117)</b>	<b>(528,512)</b>
Changes in Total Non-operating Net Assets:				
Non-operating revenue and support:				
Contributions and grants	298,771	-	298,771	28,000
Investment return	848,310	419,120	1,267,430	561,659
Assets assumed in acquisition (Note 3)	192,090	-	192,090	-
Appropriation of endowment and Board designated investment earnings	(150,000)	(79,977)	(229,977)	(75,006)
<b>Total non-operating revenue and support</b>	<b>1,189,171</b>	<b>339,143</b>	<b>1,528,314</b>	<b>514,653</b>
<b>Change in Net Assets</b>	<b>815,712</b>	<b>375,485</b>	<b>1,191,197</b>	<b>(13,859)</b>
<b>Net Assets, beginning of year</b>	<b>9,074,999</b>	<b>1,857,720</b>	<b>10,932,719</b>	<b>10,946,578</b>
<b>Net Assets, end of year</b>	<b>\$ 9,890,711</b>	<b>\$ 2,233,205</b>	<b>\$ 12,123,916</b>	<b>\$ 10,932,719</b>

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended July 31, 2021  
(With Comparative Totals for the Year Ended July 31, 2020)



	2021					2020				
	Program Expenses				Supporting Services					
	Shelter Services	Education and Training Services	Spay and Neuter Services	Clinic Services	Total Program Expenses	Fundraising	Management and General	Total Supporting Services	Total Expenses	Total Expenses
Salaries and wages	\$ 714,502	\$ 104,001	\$ 428,218	388,832	\$ 1,635,553	\$ 234,215	\$ 77,393	\$ 311,608	\$ 1,947,161	\$ 1,561,849
Employee benefits	77,581	18,501	44,965	30,365	171,412	31,430	6,525	37,955	209,367	204,292
Payroll taxes	65,001	3,459	34,705	38,240	141,405	19,620	8,113	27,733	169,138	128,430
Professional fees	11,398	1,065	3,548	3,446	19,457	5,265	5,469	10,734	30,191	39,650
Program supplies	26,253	3,509	113,387	125,052	268,201	7,775	13,567	21,342	289,543	204,753
Veterinary fees and supplies	127,919	-	-	-	127,919	-	-	-	127,919	132,166
Occupancy costs	59,413	17,221	38,392	26,375	141,401	2,233	8,723	10,956	152,357	151,246
Printing and publications	7,860	16,895	-	-	24,755	85,804	2,333	88,137	112,892	119,977
Interest expense	-	-	-	-	-	-	6,273	6,273	6,273	2,130
Fees and other miscellaneous expenses	1,563	280	16,728	25,951	44,522	1,338	4,291	5,629	50,151	40,193
Advertising	1,680	2,131	5,832	5,985	15,628	-	30	30	15,658	8,894
Insurance	25,580	6,016	4,105	2,686	38,387	5,474	5,896	11,370	49,757	41,453
Food costs	12,055	-	-	-	12,055	-	-	-	12,055	14,510
Repairs and maintenance	59,152	17,145	16,914	50,987	144,198	-	8,195	8,195	152,393	76,228
Computer expenses	20,654	22,820	-	-	43,474	11,566	7,656	19,222	62,696	44,877
Training and strategic planning	1,852	765	1,868	5,730	10,215	665	1,709	2,374	12,589	15,792
Shelter expenses	4,635	24,071	-	-	28,706	-	-	-	28,706	35,794
Contracted labor	-	17,435	36,802	-	54,237	-	-	-	54,237	40,929
Telephone	2,836	1,215	-	6,491	10,542	1,621	2,431	4,052	14,594	6,723
Transport fees and travel expenses	11,786	-	1,205	-	12,991	128	164	292	13,283	14,238
Bad debt expense	-	-	-	-	-	15	100	115	115	270
<b>Total expenses before depreciation</b>	<b>1,231,720</b>	<b>256,529</b>	<b>746,669</b>	<b>710,140</b>	<b>2,945,058</b>	<b>407,149</b>	<b>158,868</b>	<b>566,017</b>	<b>3,511,075</b>	<b>2,884,394</b>
Depreciation	210,917	61,027	15,240	2,557	289,741	3,957	29,575	33,532	323,273	315,778
<b>Total operating expenses</b>	<b>\$ 1,442,637</b>	<b>\$ 317,556</b>	<b>\$ 761,909</b>	<b>\$ 712,697</b>	<b>\$ 3,234,799</b>	<b>\$ 411,106</b>	<b>\$ 188,443</b>	<b>\$ 599,549</b>	<b>\$ 3,834,348</b>	<b>\$ 3,200,172</b>

See accompanying notes to the financial statements and independent auditors' report.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended July 31, 2021**  
**(With Comparative Totals for the Year Ended July 31, 2020)**



	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 1,191,197	\$ (13,859)
Adjustments to reconcile change in total net assets to net cash provided (used) by operating activities:		
Depreciation	323,273	315,778
Bad debt expense	115	270
Net realized and unrealized gains on investments	(1,186,318)	(462,671)
Contributions restricted for property and equipment	(2,000)	(6,100)
PPP loan forgiveness	(392,500)	-
Non-cash assets assumed in acquisition (Note 3)	(12,988)	-
Changes in operating assets and liabilities:		
Service receivables	(2,791)	11,393
Unconditional promises to give	(16,051)	26,348
Prepaid expenses and other assets	(6,121)	15,698
Accounts payable	91,790	(8,343)
Accrued expenses	20,371	(53,197)
<b>Net cash provided (used) by operating activities</b>	<b>7,977</b>	<b>(174,683)</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(51,087)	(203,277)
Purchases of investments	(348,073)	(160,324)
Proceeds from sale of investments	191,709	23,307
<b>Net cash used by investing activities</b>	<b>(207,451)</b>	<b>(340,294)</b>
<b>Cash Flows from Financing Activities:</b>		
Contributions restricted for property and equipment	2,000	6,100
Proceeds from PPP loan payable	-	392,500
Borrowings on mortgage payable	-	154,500
Principal repayments on mortgage payable	(3,657)	(1,180)
<b>Net cash provided (used) by financing activities</b>	<b>(1,657)</b>	<b>551,920</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(201,131)</b>	<b>36,943</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>781,534</b>	<b>744,591</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 580,403</b>	<b>\$ 781,534</b>

See Note 3 for a description of noncash investing activities.



**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2021**

**1. Nature of Operations**

Robert Potter League for Animals, Inc. (the League), a not-for-profit organization, originally founded in 1929, is dedicated to promoting and supporting the human animal bond. The League is Rhode Island's go-to care and resource center where we provide shelter, veterinary care, behavior training, spay & neuter, owner assistance programs, humane education, and the opportunity for thousands of animals to find loving homes each year.

Effective September 25, 2020, the League acquired the Rhode Island Companion Animal Alliance, d/b/a Pets In Need Veterinary Clinic (PINC). All assets of PINC were transferred to the League and the League became the surviving organization as of the effective date (Note 3).

**2. Summary of Significant Accounting Policies**

This summary of significant accounting policies is presented to assist the reader in understanding the League's financial statements. The financial statements and notes are representations of the League's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

***Accounting Pronouncements Adopted***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance in accounting principles generally accepted in the United States of America. The standard requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Effective August 1, 2020, the League adopted ASU 2014-09, which did not have a material effect on the League's financial statements.

***Basis of Presentation***

The financial statements of the League have been prepared on the accrual basis of accounting and, in accordance with authoritative guidance, report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2021**

***Net Assets without Donor Restrictions***

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. In addition, the Board has designated various amounts within net assets without donor restrictions into reserves in accordance with the guidelines of other not-for-profit watchdog agencies. The following reserves have been established:

***Operating Reserve*** – A reserve equal to approximately 120 days of projected operating expenditures, excluding depreciation, has been designated to provide for operations in the event of an unanticipated interruption or other operating contingency.

***Building Reserve*** – The League has a building reserve fund to provide for major repairs and improvements to the shelter. The Board annually transfers funds to the reserve from operations and will continue to do so as outlined in the 20-year reserve requirement study prepared by the Non-profit Finance Fund.

***Long-term Investment Reserve*** – The Board has set aside certain non-operating net assets without donor restrictions for long-term purposes. Those funds have been invested to provide for the long-term growth of the League.

***Net Assets with Donor Restrictions***

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

***Performance Indicator***

In the accompanying statement of activities, the primary indicator of the League's results is "changes in total net assets from operations," without donor restrictions, which includes revenue and support and expenses related to the ongoing operations of the League. Transactions such as contributions without donor restrictions and grants related to real property, investment return, excess of assets over liabilities assumed in acquisition, appropriation of endowment and Board designated investment earnings and transfers to operations are included as a component of non-operating revenue and support in the statement of activities.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2021**

***Comparative Financial Information***

The accompanying financial statements include certain prior year summarized comparative information in total, without accompanying note disclosures and certain functional expense information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the League's financial statements and related notes to the financial statements for the year ended July 31, 2020, from which the summarized information was derived.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, demand deposits with financial institutions, and all liquid debt instruments purchased with an original maturity of three months or less that have not been restricted by the donor or designated by the Board for long-term purposes.

***Service Receivables***

The League carries its receivables at anticipated net realizable value. Doubtful accounts are provided for on the basis of anticipated collection losses. The estimated losses are determined from historical collection experience and a review of outstanding receivables. A receivable is considered past due if the League has not received payment within stated terms. After all attempts to collect a receivable have failed, the receivable is written off against the allowance for doubtful accounts. Management believes that all receivables are collectible as of July 31, 2021.

***Unconditional Promises to Give***

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are discounted and recorded at the net present value of the estimated future cash flows, when the discount is material. Conditional promises to give are not included in support until such time as the conditions are substantially met.

The League uses the allowance method to reflect uncollectible promises to give. The allowance is based on prior years' collection experience and management's analysis of the specific promises to give at the end of the year. At year end, management has deemed that an allowance is not necessary.

***Property and Equipment***

Property and equipment are stated at cost or, if donated, at the fair value at the date of the gift. Renewals and betterments over \$5,000 that materially extend the life of the assets are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 30 years.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2021**

***Investments and Fair Value Measurements***

Authoritative guidance defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the League has the ability to access.

Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own judgment about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include the League's own data.

The League reports investments at fair value on a recurring basis. These investments are classified as level 1 within the fair value hierarchy.

Level 1 investments owned by the League and listed on a National Securities Exchange are valued at the last recorded sales price as of the financial statement reporting date, or in the absence of recorded sales, at the last quoted bid price reported as of the financial statement reporting date.

It is the League's policy to deduct its investment management fees from investment return.

***Revenue Recognition***

Revenue is substantially derived from private contributions and grants. The League recognizes contributions, grants and unconditional promises to give in the fiscal year in which the contribution or grant is received or when the unconditional promise to give is made. Contributions and grants are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. The League recognizes revenue for events when the event takes place.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2021**

Service contract fees, shelter, spay and neuter, and clinic service fees are measured based on the consideration specified in the contract with the customer. The League recognizes shelter service, spay and neuter services and clinic services when services to clients have been rendered and/or contractual obligations have been met. Payment is due at the time of service. The League recognizes service contract fees, derived principally from animal control-related services provided to surrounding towns, as it satisfies its performance obligation by rendering services. Payment for contract service fees are collected in quarterly installments. The League recognizes sales of pet supplies when the sale takes place.

***Contributed Goods and Services***

The League receives support in the form of non-cash contributions from various businesses and individuals to support its program mission. Contributions of non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing such skills, such as veterinary services, are recorded at their fair values in the period received.

The fair value of these contributed goods and services is included in contributions and grants in the statement of activities, except for those amounts benefiting fundraising events of the League, which are included in events, net in the statement of activities. For the year ended July 31, 2021, the value of contributed goods and services was approximately \$23,200, of which approximately \$17,300 benefited events.

***Income Taxes***

The League is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the League operates in a manner consistent with their tax-exempt status at both a state and federal level.

The League annually files IRS Form 990 – *Return of Organization Exempt From Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities, generally for a period of three years after they were filed. The League currently has no tax examinations in progress.

***Allocation of Expenses***

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on a basis of estimates of time and effort, as well as depreciation and occupancy, which are allocated on a square footage basis.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2021**



***Occupancy Expenses***

The League's animal shelter is located on land owned by the State of Rhode Island. The League leases the land from the State of Rhode Island for one dollar per year under a lease agreement, which expires December 31, 2053. The fair value of this lease cannot be determined at this time and is not included in the League's statement of activities.

***Advertising Costs***

The League expenses advertising costs as they are incurred. Such advertising consists primarily of media advertisements promoting animals available for adoption and any of the League's special events. For the year ended July 31, 2021, advertising expense was approximately \$15,700.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

***Risks and Uncertainties***

The COVID-19 outbreak in the United States has resulted in a disruption in operations. These recent developments could result in delays in receiving of funds, and a reduction in program services and its related revenue. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. While the League's operations continue, it is possible that this outbreak could negatively impact future operating results; however, the related financial impact and duration cannot be reasonably estimated at this time.

***Recent Accounting Pronouncements***

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the League. The League is currently in the process of evaluating the impact of adoption on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which is effective for annual periods beginning after December 15, 2021. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the League's year ending July 31, 2023, with early adoption permitted.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2021**



In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which provides new presentation and disclosure requirements for contributed nonfinancial assets. This standard will be effective for the League's year ending July 31, 2022.

***Subsequent Events***

Management of the League has evaluated subsequent events through November 29, 2021, which is the date these financial statements were available to be issued.

**3. Acquisition**

Effective September 25, 2020, the League entered into an agreement to purchase the assets of PINC. The assets assumed as part of this agreement consisted of cash totaling \$179,102 and property and equipment totaling \$12,988. No consideration was provided in connection with the agreement.

Under the acquisition method of accounting, the assets acquired in the transaction were allocated based on their estimated fair values at the acquisition date. In valuing acquired assets, fair values are based on, but are not limited to, quoted market prices, expected future cash flows, current replacement costs, market rate assumptions and appropriate discount and growth rates. The value of assets assumed in the acquisition of PINC, in the amount of \$192,090, is included in non-operating revenue and support in the statement of activities for the year ended July 31, 2021.

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**4. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at July 31, 2021:

Financial assets:

Cash and cash equivalents	\$ 580,403
Service receivables	42,813
Unconditional promises to give	18,963
Investments	<u>6,557,537</u>
Financial assets at July 31, 2021	<u>7,199,716</u>

Less those unavailable for general expenditure within one year, due to:

Unconditional promises to give, long-term portion	915
Total endowment funds	2,076,214
Time and purpose restrictions	156,991
Board designated funds for operating reserve	1,519,100
Board designated funds for building reserve	272,241
Board designated funds for long-term investment reserve	<u>2,896,539</u>
	<u>6,922,000</u>

Financial assets available to meet general expenditure needs  
within one year

\$ 277,716

The League has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the League has an operating reserve equal to approximately 120 days of projected operating expenditures, excluding depreciation, for operations in an event of an operating contingency. In addition, the League has board designated investments held for long-term purposes of \$2,896,539, of which up to 5% can be made available annually for operations and programs. During the year ended July 31, 2021, \$100,000 was transferred to operations from this reserve.



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**5. Unconditional Promises to Give**

Unconditional promises to give consist of promises to give from contributors to support the League's charitable mission. The promised contributions are due as follows:

July 31, 2022	\$ 18,048
July 31, 2023	<u>915</u>
Unconditional promises to give	<u>\$ 18,963</u>

The League has been named as a beneficiary of other bequests. Partial proceeds have been received for some of these bequests. Due to the uncertainty of the final settlements, no amounts have been recorded for promises to give relating to the bequests. All amounts received have been included as part of non-operating revenue and support.

**6. Property and Equipment**

Property and equipment consisted of the following:

Building and building improvements	\$ 8,970,751
Office equipment and software	279,870
Vehicles	<u>92,756</u>
	9,343,377
Less accumulated depreciation	<u>4,039,296</u>
Property and equipment, net	<u>\$ 5,304,081</u>

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**7. Investments**

The League's investments measured at fair value on a recurring basis are all considered Level 1 investments and consist of the following:

Cash	\$	10,280
Mutual Funds:		
Large blend		6,317,789
Large value		37,163
Mid-cap blend		22,968
High yield bond		10,479
		<u>6,388,399</u>
Exchange Traded Funds:		
Large blend		54,909
Short-term bond		41,855
Technology		15,340
Other exchange traded funds		46,754
		<u>158,858</u>
Total investments	\$	<u>6,557,537</u>

The composition of the total return on investments is as follows:

Interest and dividends	\$	82,792
Net realized and unrealized gains		1,186,318
Investment fees		(1,680)
		<u>1,267,430</u>
Total investment return	\$	<u>1,267,430</u>

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**8. Debt**

***PPP Loan Payable***

On April 20, 2020, the League received loan proceeds of approximately \$392,500 under the Paycheck Protection Program (PPP), which was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in response to the Coronavirus (COVID-19) outbreak. Proceeds from this loan (PPP Loan) may only be used for payroll costs, costs used to continue group health care benefits, mortgage interest payments, rent, utilities, and interest on other debt obligations, provided the related agreements were effective prior to February 15, 2020. The PPP Loan was set to mature on April 20, 2022 and bore interest at a rate of 1% per annum, payable monthly. Under the terms of the PPP, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The League used the proceeds in accordance with the loan terms and applied for forgiveness from the U.S. Small Business Administration (SBA). On March 5, 2021, the League received notification of SBA approval for forgiveness of the entire PPP Loan proceeds.

***Mortgage Payable***

The League executed a mortgage note, dated March 25, 2020, for a total of \$154,500 to purchase the office building for the Spay and Neuter Clinic. The note was provided by a local bank and is secured by the building located at 235 Elm Street, Warwick, Rhode Island. The note requires monthly payments of \$827, including interest at the five-year Federal Home Loan Bank of Boston (FHLBB) Classic Advance Rate plus 3.00% (4.08% for the initial 5-year term through March 2025). Thereafter, every fifth year, the interest rate will be reset at the then 5-year FHLBB Classic Advance Rate plus 3.00%. The note is set to mature March 2045. For the year ended July 31, 2021, \$6,273 of interest expense was incurred and paid.

Maturities of the mortgage payable are as follows:

Year Ending

July 31, 2022	\$	3,901
July 31, 2023		4,063
July 31, 2024		4,232
July 31, 2025		4,408
July 31, 2026		4,591
Thereafter		128,468
Total	\$	149,663

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**9. Net Assets with Donor Restrictions**

A summary of net assets with donor restrictions is as follows:

Subject to time restrictions, for general operations	\$	17,965
Subject to expenditure for specified purpose:		
Animal care		86,483
CoyoteSmarts		2,735
TLC (Training, Leadership, Coaching) Fund		7,571
StarKids afterschool program		16,623
Wellness clinics		6,134
Summer camps		2,680
Capital improvements		16,800
Appreciation on donor-restricted endowment funds (Note 10)		615,894
		754,920
Subject to restriction in perpetuity (Note 10)		1,460,320
Total net assets with donor restrictions	\$	2,233,205

**10. Endowment Funds**

The League’s endowment consists of various donor-restricted funds established to prevent inhumane treatment towards animals, provide care and shelter for lost or unwanted animals and provide education to the public. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are reported in the financial statements based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law*** - The Rhode Island Uniform Prudent Management of Institutional Funds Act (RI UPMIFA) requires the preservation of the fair value of the original gift as of the gift date of the donor-imposed endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the League classifies as net assets with donor restrictions (a) the original value of the gift donated to the fund, (b) the original value of subsequent gifts to the fund, and (c) accumulations to the fund made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restriction in perpetuity is classified as net assets with donor restrictions subject to the spending policy and appropriation until those amounts are appropriated for expenditure by the League in a manner consistent with the standard of prudence prescribed by RI UPMIFA.

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Endowment net asset composition by type of fund at year end is as follows:

	Unappropriated Earnings	In Perpetuity	Total
Animal care, food and sheltering	\$ 75,203	\$ 178,312	\$ 253,515
General purposes	540,691	1,282,008	1,822,699
	<u>\$ 615,894</u>	<u>\$ 1,460,320</u>	<u>\$ 2,076,214</u>

Changes in endowment net assets for the year ended July 31, 2021 are as follows:

	Unappropriated gains and other	In Perpetuity	Total
Endowment net assets, beginning of year	\$ 276,751	\$ 1,460,320	\$ 1,737,071
Investment return:			
Interest and dividends, net	24,753	-	24,753
Net realized and unrealized gain	394,367	-	394,367
Total investment gain	<u>419,120</u>	<u>-</u>	<u>419,120</u>
Appropriation of endowment earnings	<u>(79,977)</u>	<u>-</u>	<u>(79,977)</u>
Endowment net assets, end of year	<u>\$ 615,894</u>	<u>\$ 1,460,320</u>	<u>\$ 2,076,214</u>

**Funds with Deficiencies** - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or RI UPMIFA requires the League to retain as a fund of perpetual duration. There were no such deficiencies at July 31, 2021.

**Return Objective and Risk Parameters** - The League has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index, while assuming a moderate level of investment risk. The League expects its endowment funds, over time, to provide an average rate of return of at least 5% annually. Actual results in any given year may vary from this amount.

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*Spending Policy* - The League has a policy of appropriating for expenditure each year up to 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year end proceeding the fiscal year in which the expenditure is planned. However, this spending policy is adjusted annually based on current economic and operational needs with approval of the Board. In establishing this policy, the League considers the long-term expected return on its endowment. Accordingly, over the long-term, the League expects the current spending policy to allow its endowment to grow at a rate that preserves the purchasing power of the original investment.

*Strategies Employed for Achieving Objectives* - To satisfy its long-term rate of return objectives, the League relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The League's goal is to have a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**11. Employee Benefit Plans**

The League has a SIMPLE IRA plan (IRA) established under Section 408(p) of the Internal Revenue Code. The IRA covers all employees who receive at least \$5,000 in compensation annually. Employees may elect to defer a percentage of their compensation into the IRA. Under the IRA, the League will contribute a matching contribution equal to the employee contribution up to 3% of compensation. The League contributed \$36,835 to the IRA for the year ended July 31, 2021.

**12. Commitments**

The League leased its office building for the Pets in Need Clinic, effective on September 25, 2020, which was the date of acquisition of PINC (Note 3). The League had a non-cancelable operating lease with monthly payments of approximately \$2,400, which expired March 31, 2021. In February 2021, the League entered into a non-cancelable operating lease, effective April 1, 2021, with monthly payments of approximately \$5,200, which will increase by approximately 1.5% annually. The agreement expires April 30, 2026, which two options to extend an additional five years. Total rent expense charged under these operating leases for the year ended July 31, 2021 was approximately \$22,400.

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Approximate future payments related to the non-cancelable operating lease are as follows:

<u>Year Ending</u>	
July 31, 2022	\$ 62,200
July 31, 2023	63,200
July 31, 2024	64,200
July 31, 2025	65,200
July 31, 2026	<u>55,000</u>
Total	<u>\$ 309,800</u>

**13. Concentrations of Risk**

Financial instruments that potentially subject the League to concentrations of credit risk consist principally of cash and cash equivalents and investments.

The League maintains its cash and cash equivalents balances in four financial institutions. The balance at each institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the League's cash and cash equivalents balances may exceed this limit. Cash and cash equivalents balances in excess of \$250,000 are generally uninsured. At year end, management does not believe significant credit risk exists relative to cash and cash equivalents.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and that such changes could materially affect investment balances and activity included in the financial statements. The League's investments are maintained in a diversified portfolio in an attempt to minimize potential risk associated with marketable securities to the extent possible. At year end, management does not believe that significant credit risk exists relative to the investments.